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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

X
92-22411

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended June 30, 1992

Commission File Number 0-17736

ESELCO, INC.
(Name of Registrant)

MICHIGAN
(State of Incorporation)

38-2785176
(I. R. S. Employer Identification Number)

725 East Portage Avenue
Sault Ste. Marie, Michigan 49783
(Principal executive office)

(906) 632-2221
(Telephone Number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the registrant was required to file such report) and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

842,154 shares of Common Stock, par value $.01 per share, outstanding as of June 30, 1992

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E S E L C O, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	June 30 1992	December 31 1991
ASSETS:		
ELECTRIC PLANT, at original cost	$56,971,069	$55,780,973
Less - Accumulated depreciation	20,963,090	19,947,736
	$36,007,979	$35,833,237
Asset acquired under capital lease	3,088,583	3,106,958
	$39,096,562	$38,940,195
CURRENT ASSETS:		
Cash	$55,736	$259,710
Accounts receivable, less reserve of $43,567 and $32,000 respectively	2,896,714	2,306,207
Unbilled revenue	1,177,860	1,177,860
Materials and supplies, at average cost	1,242,240	1,065,163
Prepayments	947,091	1,426,030
	$6,319,641	$6,234,970
OTHER ASSETS:		
Debt expense, being amortized	$82,613	$55,115
Other	284,586	240,828
	$367,199	$295,943
	$45,783,402	$45,471,108
STOCKHOLDERS' INVESTMENT AND LIABILITIES:		
CAPITALIZATION (See Statement):		
Common equity	$13,918,667	$13,538,661
Preferred stock	0	0
Long-term debt (less current portion)	14,591,000	14,577,000
	$28,509,667	$28,115,661
OTHER NONCURRENT LIABILITIES:		
Obligation under capital lease	$3,047,813	$3,068,899
CURRENT LIABILITIES:		
Notes payable	$2,049,500	$1,547,500
Current portion of long-term debt	936,000	631,000
Current portion of lease obligation	40,770	38,059
Accounts payable	2,235,872	2,624,758
Dividends declared	303,175	295,191
Accrued taxes	1,484,648	2,266,514
Current deferred income taxes	295,615	370,815
Accrued interest	254,588	332,816
Other	456,790	132,269
	$8,056,958	$8,216,922
DEFERRED CREDITS:		
Deferred income taxes	$4,172,062	$4,066,862
Unamortized investment tax credit	1,186,504	1,222,504
Other	810,398	780,260
	$6,168,964	$6,069,626
	$45,783,402	$45,471,108

ESELCO, INC.
CONSOLIDATED STATEMENT OF CAPITALIZATION

	June 30 1992		December 31 1991	
	AMOUNT	%	AMOUNT	%
COMMON EQUITY:				
Common stock, par value $.01 per share				
1992 1991				
Authorized Shares 3,000,000 3,000,000				
Outstanding Shares 842,154 814,419	$8,422		$8,144	
Capital surplus	10,677,314		9,815,855	
Retained earnings	3,232,931		3,714,662	
	$13,918,667	49%	$13,538,661	48%
PREFERRED STOCK, value $.01 per share, authorized 160,000 shares	$0	0%	$0	0%
LONG-TERM DEBT of Subsidiary (less current portion)				
First Mortgage Bonds:				
Series C, 4.75%, due 1996	$715,000		$715,000	
Series D, 7.00%, due 1998	903,000		915,000	
Series E, 11.25%, due 1995	0		1,484,000	
Series F, 10.31%, due 2001	2,400,000		2,700,000	
Series G, 10.25%, due 2009	5,700,000		5,850,000	
Series H, 7.90%, due 2002	2,700,000		0	
8.25% Debentures, due 1993	735,000		735,000	
Energy Thrift Notes, 7%-10%, due 1993-1998	1,438,000		1,458,000	
10.50% Promisory Note, due 1999	0		720,000	
	$14,591,000	51%	$14,577,000	52%
Total Capitalization	$28,509,667	100%	$28,115,661	100%

ESELCO, INC.

CONSOLIDATED STATEMENT OF INCOME

	The Three Months Ended June 30,		The Six Months Ended June 30,		The Twelve Months Ended June 30,	
	1992	1991	1992	1991	1992	1991
OPERATING REVENUES	$7,459,056	$6,635,273	$15,389,441	$14,980,989	$29,478,509	$29,060,316
OPERATING EXPENSES:						
Operation - Purchased power	$3,572,973	$2,957,110	$7,527,315	$7,400,077	$14,152,229	$14,138,955
- Other	1,396,874	1,347,202	2,815,325	2,694,916	5,477,846	5,369,383
Maintenance	576,562	455,333	1,138,727	888,483	2,056,690	1,801,270
Depreciation and amortization	515,409	532,741	1,029,059	1,075,179	2,093,139	2,070,017
Property and other taxes	405,700	395,600	809,800	789,600	1,585,969	1,574,687
Income taxes	165,200	175,000	345,800	406,500	615,092	750,988
Total operating expenses	$6,632,718	$5,862,986	$13,666,026	$13,254,755	$25,980,965	$25,705,300
Net operating income	$826,338	$772,287	$1,723,415	$1,726,234	$3,497,544	$3,355,016
OTHER INCOME (DEDUCTIONS), NET	($15,571)	($20,096)	($50,416)	($33,654)	($82,262)	($46,546)
ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION	$0	$0	$0	$0	$0	$0
INTEREST CHARGES:						
Interest on long-term debt	$349,546	$375,927	$704,189	$769,509	$1,450,580	$1,511,831
Other interest	35,587	40,921	88,152	71,411	173,143	107,057
Total interest charges	$385,133	$416,848	$792,341	$820,920	$1,623,723	$1,618,888
NET INCOME AVAILABLE FOR COMMON STOCK	$425,634	$335,343	$880,658	$871,660	$1,791,559	$1,689,582
EARNINGS PER AVERAGE SHARE OF COMMON STOCK	$0.51	$0.40	$1.05	$1.05	$2.16	$2.05
CASH DIVIDENDS DECLARED PER SHARE OF COMMON STOCK	$0.36	$0.35	$0.71	$0.69	$1.41	$1.37
AVERAGE COMMON SHARES OUTSTANDING	841,318	831,505	840,411	828,399	838,499	822,813

E S E L C O, INC.
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE SIX MONTHS ENDED JUNE 30, 1992 AND 1991

	1992	1991
NET CASH FLOWS FROM (USED BY):		
OPERATING ACTIVITIES:		
Net income	$880,658	$871,660
Noncash expenses, revenue, losses and gains included in income		
Depreciation and amortization	1,064,102	1,099,168
Deferred taxes and charge equivalent to investment tax credit, net of amortization	(6,000)	(16,200)
Net decrease (increase) in receivables and unbilled revenue	(590,507)	(31,560)
Net decrease (increase) in materials and supplies and prepayments	301,862	373,469
Net increase (decrease) in accounts payable, accrued taxes, and other current liabilities	(826,231)	(1,560,145)
Increase (decrease)in interest accrued but not paid	(78,228)	3,443
Other	(14,499)	(12,641)
Net cash from operating activities	$731,157	$727,194
INVESTING ACTIVITIES:		
Acquisition of property, plant and equipment	($1,265,962)	($2,064,496)
Proceeds from disposals of property, plant and equipment	36,098	33,579
Net cash used by investing activities	($1,229,864)	($2,030,917)
FINANCING ACTIVITIES:		
Proceeds of short-term debt	$8,967,000	$9,470,000
Payments to settle short-term debt	($,645,000)	($,125,000)
Issuance of long-term debt (net)	2,983,502	0
Payments on long-term debt	(2,701,000)	(111,000)
Proceeds from sale of common stock	107,268	304,046
Dividends paid	(597,057)	(572,990)
Net cash used by financing activities	$896,713	$965,056
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	($203,976)	($338,667)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	259,710	418,607
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$55,736	$79,940
INTEREST PAID	$895,700	$828,861
INCOME TAXES PAID	$900,000	$400,000

ESELCO, INC.

NOTES TO FINANCIAL STATEMENTS

(1) These consolidated financial statements include the accounts of ESELCO, Inc. and its wholly owned subsidiaries, Edison Sault Electric Company and Northern Tree Service, Inc. All significant intercompany balances and transactions had been eliminated in consolidation. The consolidated financial statements as of June 30, 1992 and 1991 included herein, which are unaudited, reflect in the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the results of operations for the periods presented. Sales of electricity, of the Company's major subsidiary, are affected to some degree by variations in weather conditions, and results of operations for interim periods are not necessarily indicative of results to be expected for the entire year.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to rules and regulations of the Securities and Exchange Commission, although the Company believes that the disclosures which are made are adequate to make the information presented not misleading. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and the notes thereto included in ESELCO, Inc. 1991 Annual Report on Form 10K, which incorporates by reference the financial statements in the 1991 Annual Report to Shareholders.

ESELCO, INC

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Three Months Ended June 30, 1992 and 1991

Total operating revenues for the second quarter of 1992 were 12% above a year ago while total kilowatt hour sales increased 4%. Over two-thirds of the increase in operating revenues represent the pass through of increased purchased power costs to our customers.

During the second quarter of 1992, we have had increased sales to all classes of customers. The increases in the residential and commercial area are the result of increased customers and increased use per customer in part caused by the colder than normal weather. The increase in industrial sales is the result of the resumption of production at the Inland quarry by Pfizer Specialties Materials, Inc.

Purchased power costs for the second quarter of 1992 increased 21% over the 1991 level. This increase is the result of rate increases from two of our suppliers partially offset by reduced requirements because of increased hydro generation during the period.

Total other operating and maintenance expenses increased 10% during the second quarter of 1992. The largest increase is the major maintenance program which is presently underway and includes a study of the hydro canal.

Depreciation and amortization is 3% less than last year because we have written off the acquisition adjustment associated with the 1989 customer acquisition from Wisconsin Electric. These customers are currently being billed the same rates as our other customers.

Based on the above changes net income available for common stock increased 27% or $90,000 during the second quarter of 1992. This increase was equal to 11¢ per average share of common stock outstanding.

Six Months Ended June 30, 1992 and 1991

Operating revenues for the first half of 1992 were 3% above a year ago. This is largely the result of a 6% increase in total sales during the same period. Industrial sales have increased 7% during the first half of 1992 caused in part by the start up operations by Pfizer at the old Inland quarry and increased sales to the Manistique Paper Company. Residential and commercial sales have increased because of increased customers and also increased use per customer due in part to the colder weather which we experienced during 1992.

Purchased power expense has increased 2% even though we've experienced a decrease in purchase power requirements. This has been caused by rate increases from two of our major suppliers.

Other operating and maintenance expenses have increased 10% during this period mainly because of our 1992 maintenance program. In addition, our water for power expense has increased reflecting additional water and higher rates for the water.

Depreciation and amortization charges decreased 4% during the first half of 1992 because we have written off the acquisition adjustment associated with the Wisconsin Electric customer acquisition.

Based on the above changes, net income available for common stock has increased by $9,000 or 1% during the period.

Twelve Months Ended June 30, 1992 and 1991

Operating revenues during the current twelve month period have increased 1% while total sales have increased 4%. During this period, industrial sales have increased 5% while commercial sales are up 4% and residential sales have increased 3%.

Purchased power expenses during the period were the same as a year ago. Increased hydro generation was offset by rate increases from all of our suppliers.

Other operating and maintenance expenses have increased 5% during the current twelve month period mainly because of our increased maintenance program and the increase in the cost of water for power.

Based on the above changes, net income for common stock has increased $102,000 or 6%.

Liquidity and Capital Commitments

The Company has clauses in all of its retail sales tariffs which recover, on a current basis, changes in the cost of purchased power and water for generation. Michigan Public Act 304 allows the Company to regularly file a Power Supply Cost Recovery (PSCR) Plan which provides a mechanism for the recovery of projected purchased power and fuel costs. In addition to reconciling actual costs to projected costs, the law allows for the refunding of overcollections or charging for undercollections, both with interest. While the clause applies specifically to residential and commercial customers, industrial customers are covered under a like arrangement through a separate recovery clause mechanism.

During 1988, the Company reinstituted the Dividend Reinvestment Plan (DRP) for its common stockholders. The DRP was necessary to allow common equity to be brought to acceptable levels as part of the total financing required for ongoing operations. Effective May 1, 1991, the Company no longer offered the cash added portion of the DRP. In addition, the per share price of the DRP was changed from the average of the bid and ask price of the stock to the ask price effective with the August 15, 1991 dividend. At its May, 1992 meeting, the Board of Directors reinstated the cash added portion of the DRP and changed back to pricing out the DRP at the average of the bid and ask price of the stock.

During January, 1992, the Company prepaid the 10.5% Promissory Note and redeemed the Series E, First Mortgage Bonds at a $26,000 premium. In March, 1992 the Company privately placed $3.0 million 7.9% First Mortgage Bonds with a ten year maturity.

During both 1991 and 1990, the Company was able to supply its short-term financing requirement with a bank line of credit and short-term energy thrift notes. The Company has a line of credit with a local bank and has authority to issue short-term energy thrift notes sufficient to meet its financing requirements for 1992.

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 106, Employees Accounting for Postretirement Benefits Other Than Pensions. The Company plans to adopt this statement in 1993. This statement will require accrual of postretirement benefits (such as health care benefits) during the years an employee provides services. The cost of these benefits is currently expensed on a pay-as-you-go-basis. The impact of this new standard has not been fully determined but the change likely will result in significantly greater expense being recognized for provision of these benefits. The Company expects that the increased benefits expense will either be recovered currently through rates or that a regulatory asset will be recorded to reflect amounts to be recovered through rates in the future as the costs are paid, therefore, this Statement should not have a significant impact on the Company's financial position or results of operation.

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 109 - Accounting for Income Taxes. The adoption of Statement No. 109 will not have a material impact on the financial position of the Company. The statement is required to be adopted no later than 1993.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) List of Exhibits.

Exhibit No.	Description of Exhibit	Filed Herewith	Filed By Reference
(2)	Plan of acquistions, reorganization, arrangement liquidations or succession	N/A	N/A
(4)	Instruments defining the rights of security holders, including indentures:		
	(a) Mortgage and Deed of Trust as of March 1, 1952 - (a)		*
	(b) Supplemental Indenture dated as of February 1, 1957 - (a)		*
	(c) Second Supplemental Indenture dated as of January 1, 1964 - (a)		*
	(d) Third Supplemental Indenture dated as of February 1, 1968 - (a)		*
	(e) Fourth Supplemental Indenture dated as of September 15, 1975 - (a)		*
	(f) Fifth Supplemental Indenture dated as of October 1, 1986 - (b)		*
	(g) Sixth Supplemental Indenture dated as of April 1, 1989 - (d)		*
	(h) Seventh Supplemental Indenture dated as of February 15, 1992		*
	(i) Debenture Indenture dated as of August 1, 1973 - (a)		*
	(j) Articles of Incorporation of registrant as filed on January 6, 1989 - (d)		*
	(k) Form of Long-Term Energy Thrift Note - (c)		*
(11)	Statement re computation of per share earnings	N/A	N/A
(15)	Letters re unaudited interim financial information	N/A	N/A
(18)	Letter re change in accounting principles	N/A	N/A
(19)	Previously unfiled documents	None	None
(20)	Report furnished to security holders	N/A	N/A
(23)	Published report regarding matters submitted to vote of security holders	N/A	N/A
(24)	Consents of experts and counsel	N/A	N/A
(25)	Power of attorney	N/A	N/A
(28)	Additional exhibits	N/A	N/A

Key to Exhibits Incorporated by Reference:

(a) Filed with the Company's Registration Statement, Form S-16, No. 2-67191, filed April 2, 1980.

(b) Filed with the Company's Form 10-K for 1986, dated March 30, 1987, File No. 0-1158.

(c) Filed with the Company's Registration Statement, Amendment No. 2 to Form S-3, No. 2-67191, filed February 16, 1988.

(d) Filed with the Company's Form 10-Q for June 30, 1989, dated August 11, 1989, File No. 0-17736.

(e) Filed with the Company's Form 10-Q for March 31, 1992, dated May 13, 1992, File No. 0-17736.

Item 6. (b) Reports on Form 8-K

No reports on Form 8-K were filed during the three months ended June 30, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EDISON SAULT ELECTRIC COMPANY
(Registrant)

/s/ William R. Gregory

Date August 12, 1992

WILLIAM R. GREGORY
Its President

/s/ David R. Hubbard

Date August 12, 1992

DAVID R. HUBBARD
Its Vice President - Finance